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**Via Electronic Transmission**

Mr. Larry Scott  
Commissioner  
Pacific 10 Conference  
1350 Treat Blvd., Suite 500  
Walnut Creek, CA 94597-8853

Dear Mr. Scott:

We write today regarding recent discussions and efforts to expand and consolidate membership in the major athletic conferences in the National Collegiate Athletic Association (NCAA), including the Pacific 10 Conference (Conference). Under the leadership of then-Chairman and now Ranking Member Senator Grassley, the U.S. Senate Committee on Finance (Committee), the Senate Committee with jurisdiction over taxation, has conducted oversight of tax exempt organizations for almost nine years now. The Conference operates as a 501(c)(3) charitable organization under the federal tax code. However, in reality most Americans know of the athletic conferences for their roles in overseeing and facilitating collegiate athletics.

Recently, there has been an increase in the size of the membership of these national conferences by consolidating smaller former conferences and increasing the overall size of the organizations by adding additional member academic institutions. This realignment has the potential to make a significant impact on the financial operations of member institutions. According to the most recent information return filed with the Internal Revenue Service, Form 990, *Return of Organization Exempt from Income Tax*, the Conference reported gross receipts of over \$96 million for 2007 and \$88 million for 2006. Most of this income is received from broadcasting rights and related income from athletic events of the conference institutions, post season bowl game and tournament revenues, and an undefined portion of revenue noted as "other" revenue. A portion of these receipts are then distributed as grants by the Conference to member academic institutions, \$91 million in 2007 and \$88 million in 2006.

According to its Form 990, the Conference's primary exempt purpose is "to value adherence to the highest standards of higher education, academic achievement, ethical conduct, sportsmanship, and a continuing commitment to gender equity and ethnic diversity and to emphasize the welfare of the student-athlete throughout the enterprise and provide opportunity and encouragement for each participant in a Pac-10 program to acquire a baccalaureate degree and the skills necessary to function as a productive member of society."

Despite this stated charitable purpose, it appears that the majority of the Conference's operations revolve around NCAA athletics and the marketing, promotion, and revenue generating activities affiliated with those athletic activities. Moreover, most of the discussions surrounding the potential realignment of member institutions from one league to another appear to be designed not to further the charitable operation of the Conference. Rather, it appears that invitations are being

## Committee Assignments:

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extended because of the major media markets in which they are situated. Thus, the invitations to join the Conference seem to be extended for the sole purpose of enhancing the financial bottom line that television contracts, marketing, and promotional activities will bring member institutions. In fact, a recent article by the Associated Press outlines the potential stakes for academic institutions considering a switch from one conference to another. Specifically, that article stated,

An expanded Pac-10 could launch its own TV network and command huge money. Texas, Texas Tech, Texas A&M, Oklahoma, Oklahoma State, and Colorado were said to be on the Pac-10's shopping list.<sup>1</sup>

Indeed, as this article makes clear, financial motivation is a considerable factor in the recent discussions surrounding conference expansion and realignment. Accordingly, we ask that you provide detailed justification and responses to the following questions related to the tax exempt charitable status of the Conference:

- (1) Provide a copy of the most recent Form 990 filed with the IRS for the Conference;
- (2) Provide a comprehensive breakdown of all Program Service Revenue, including a detailed breakdown of "Sports Revenues", "Operating Revenues" and "Other Revenues";
- (3) Provide an explanation of how all Program Service Revenue furthers the state charitable purpose of the Conference;
- (4) Provide an updated list of grant distributions to member academic institutions for 2008 and 2009 and explain how each distribution furthers the Conference's charitable purpose;
- (5) Provide a detailed explanation of how the Conference determined the grant award amounts for 2007, 2008, 2009;
- (6) Provide a detailed explanation of how any considered, planned, or possible expansion of the Conference will help further the stated charitable purpose of the Conference;
- (7) Provide all copies of any proposed expansion, merger, or consolidation plans the Conference has considered, developed, requested, or otherwise discussed and explain how the Conference decided on which schools to invite;
- (8) Provide a detailed list of all dues and other assessments that member academic institutions pay to the Conference, how they are calculated and how they are utilized;
- (9) Provide a detailed list of revenue generated by any corporate sponsorships;
- (10) Provide copies of any documentation used to determine commissioners' compensation, including compensation studies and minutes of full board, executive committee or compensation committee meetings where compensation amounts were decided.

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<sup>1</sup> Associated Press, *Big 12 breakup? League meetings settle nothing*, June 4, 2010.

Because there has been significant discussion about the Conference expanding and the possibility of creating a new Pac-10 television network, we would like to better understand the Conference's intentions and the relationship between a potential television network and how it furthers the Conference's charitable purpose.

- (11) Please provide copies of any proposed plans to create a television network;
- (12) Provide copies of all legal opinions, internal or external, discussing or advising the tax implications of the Conference's ownership interest in a proposed television Network, including the Conference's tax-exemption and unrelated business taxable income.

It also appears that Conference's expansion efforts will cause the realignment or implosion of other college athletic conferences. If, as some speculate, such realignment results in four "super" conferences, it seems that they may be no different than professional sports associations like the National Football League or Major League Baseball.

- (13) Please explain why these conferences should continue to be tax-exempt.
- (14) Please explain what requirements member schools must meet to be included in the conference, what the costs are to meet these requirements and how such costs impact tuition and other costs for students at those institutions.

I understand that the Conference recently extended an invitation to the University of Colorado and that the offer has been accepted. We also understand that the Big Twelve Conference has asked for each of its members to commit to its organization by Monday. As a result, we ask for immediate responses to these questions. If you are not able to respond to these questions immediately, we ask that you delay the expansion efforts, including efforts to extend additional invitations to prospective members, until you have responded in full to this important inquiry.

In closing, we want to reiterate that our inquiry is limited only to the Conference and not of the academic institutions and the athletic departments that are members of the Conference. Additionally, we are not calling into question the legitimacy of the donations made to member academic institutions or their athletic departments. That said, in order to ensure a complete and thorough response, we recommend that you discuss your proposed response with our staff prior to submission.

Sincerely,

  
Charles E. Grassley  
United States Senator

  
Tom Harkin  
United States Senator